

VZCZCXYZ0000  
OO RUEHWEB

DE RUEHBU #0597/01 1411331  
ZNR UUUUU ZZH  
O 211331Z MAY 09  
FM AMEMBASSY BUENOS AIRES  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 3752  
INFO RUEHPE/AMEMBASSY LIMA 2504  
RUEHZP/AMEMBASSY PANAMA 0361  
RHMFIUU/DEPT OF HOMELAND SECURITY WASHINGTON DC

UNCLAS BUENOS AIRES 000597

SENSITIVE  
SIPDIS

E.O. 12958: N/A  
TAGS: [PREL](#) [PGOV](#) [PHUM](#) [OREP](#) [ECON](#) [PTER](#) [MASS](#) [ASEC](#) [AR](#)  
SUBJECT: ARGENTINA: SCENESETTER FOR CODEL THOMPSON VISIT  
MAY 28-30

¶1. (U) On behalf of Embassy Buenos Aires, I warmly welcome your May 28-30 visit to Argentina, which occurs one week before I leave post for my next assignment, in which I will oversee U.S. non-military assistance to Afghanistan. We propose to schedule meetings for you with Argentina's Minister of Justice, Security and Human Rights Anibal Fernandez; Customs Administrator Silvina Tirabassi; and host a coffee for you focused on security issues. We also propose a visit to Argentina's largest port, Exolgan, where you will be able to observe DHS-supported cooperation, including the operation of Container Security Initiative container scanners. Your visit will support our efforts to build on the important bilateral relationship we have worked to foster with the administration of President Cristina Fernandez de Kirchner, and it underscores the importance we place on counterterrorism cooperation, emerging threats, maritime security, and border security.

-----  
Broader Political Context  
-----

¶2. (SBU) You arrive in Argentina one month before June 28 congressional mid-term elections, advanced from their original date of October in response to a request by President Cristina Fernandez de Kirchner (CFK). Her rationale was that by getting through the election, Argentine officials could better concentrate on minimizing the local impact of the global economic crisis. The political class is consumed with the sudden onset of election season. Critics charged that move was designed to limit the opposition's capacity to unite and agree on candidate lists, but current pro-government majorities in both houses of Congress agreed to the change. Still, two major opposition coalitions have formed in time to field candidates, along with important regionally-based movements. Polls in many key races indicate setbacks for the Peronist followers of CFK and her husband, former President Nestor Kirchner. Only about half of the Lower House and a third of the Senate seats will be contested, but many believe that the Kirchner's could lose their working majorities in Congress. Former president Nestor Kirchner is running for Congress as a deputy for Buenos Aires Province. He will certainly win a seat due to his position at the top of a party-list style ballot, but how well his list will fare is less clear. Many see this election as a vote for or against the Kirchners, and most observers believe that the first couple's political future is riding on the outcome.

¶3. (SBU) CFK took office on December 10, 2007, succeeding her husband, Nestor Kirchner, who retains a high profile in government policy and decision-making. CFK has a decades-long history in politics, having served in the Chamber of Deputies and most recently in the Senate. She won the 2007 presidential election with 45% of the vote over a sharply divided opposition. Having campaigned on the themes

of change and continuity, she retained most of her husband's cabinet and much of his confrontational style. During her first year in office, she suffered a severe drop in popularity and approval ratings, which now hover around 30%, due in large part to her handling of a four-month conflict with the farming sector over a government proposal to increase export duties on soy and other agricultural products. That conflict is still simmering. In coping with the sudden downturn in global commodity prices that had fueled Argentina's 2002-2008 economic recovery, CFK's major policy challenges will be to maintain government programs, prevent job losses, prevent a major slip in the GOA's finances, and address public concerns over deteriorating crime and security.

14. (SBU) Bilateral relations are good, having recovered from a rough patch in December 2007 - January 2008. Two days after CFK was inaugurated, the GOA misinterpreted and over-reacted to news reports concerning a federal case in Miami against some Venezuelans and an Uruguayan who were arrested on charges of operating and conspiring to operate in the United States as agents of the Venezuelan government. One of the accused was recently convicted and sentenced to four years in prison. The others pled guilty. During the proceedings in Miami, allegations surfaced that undeclared cash brought into Buenos Aires in August 2007 on a government contracted plane from Venezuela -- and uncovered by an Argentine customs official -- had been destined for the presidential campaign of CFK. (The allegations were not made by the USG, but rather by one of the defendants.)

15. (SBU) Initially, President Fernandez de Kirchner reacted angrily to the allegation that she had been the intended

recipient of the cash. She publicly interpreted the Miami arrests as directed against her government and characterized the case as a "garbage operation." Her ministers and the Argentine Congress made similar statements. However, the rhetoric gradually subsided, and the relationship normalized due to a great deal of behind-the-scenes work. We agreed at the end of January 2008 to put the case behind us and to work to strengthen bilateral cooperation, which we have done in part by reviving a special consultative process that has already resulted in agreements in new areas such as alternative energy, nanotechnology, and national park administration. We also agreed to promote greater parliamentary exchanges; your visit will help in that regard.

The election of President Barrack Obama also changed significantly the approach of CFK and her advisors toward the U.S. Government, though areas of friction remain. Argentina's Congress has expressed interest in strengthening bilateral ties. As a testament to that interest and in the midst of a compressed electoral schedule, a five-member multi-partisan congressional delegation, including three deputies seeking to renew their seats, visited Washington, D.C. May 11-13.

-----  
Economic Context  
-----

16. (SBU) Argentina, once one of the richest countries of the world, has experienced much economic decline and political instability over the last 70 years, culminating in a profound political and economic crisis in 2001-2002 that was comparable to our Great Depression and included Argentina's default on \$82 billion in debt, the largest sovereign debt default in history. Many Argentines are at a loss to explain how their country, blessed with rich natural resources, fertile land, and low population density, fell so far short of its potential. Some blame the military dictatorships, which predominated between 1930 and 1983. Others blame corruption and a series of populist measures taken since 1944. Many Argentines blame external factors, particularly the IMF and alleged U.S. insensitivity to their plight for the last crisis.

17. (U) Argentina's economy sustained a robust recovery

following the 2001/2002 economic crisis, with five consecutive years of over 8.5% real growth in gross domestic product (GDP). Argentine GDP reached US\$ 320 billion in 2008, approximately US\$ 8,150 per capita. The economic expansion created jobs, with unemployment declining from over 21% in 2002 to 7.3% as of the fourth quarter of 2008. Poverty levels also dropped. According to government statistics, 15.3% of the population in the 31 largest urban areas remained below the poverty line in the second quarter of 2008, down from over 50% in the immediate aftermath of the economic crisis.

¶8. (U) Argentina benefits from rich natural resources, a highly educated population, a globally competitive agricultural sector, and a diversified industrial base. Argentina's post-crisis move to a more flexible exchange rate regime, along with sustained global and regional growth, a boost in domestic aggregate demand via monetary, fiscal, and income distribution policies, and favorable international commodity prices and interest rate trends were catalytic factors in supporting renewed growth between 2003 and 2008. A higher tax burden, improved tax collection efforts, and the recovery's strong impact on tax revenues supported the government's successful efforts to maintain primary fiscal surpluses since 2003.

¶9. (SBU) Although Argentina continued its strong expansion in 2008, with GDP growth estimated at 7%, many economists predict a sharp deceleration of economic activity in 2009, in part due to the impact of ongoing global financial turmoil and the resulting slowdown in world economic output. In addition to the challenges posed by global economic trends, economic experts have identified a range of other potential challenges to sustaining high levels of growth in the future. The government has introduced measures to stimulate the economy and maintain jobs, and to deal with a serious agricultural drought.

¶10. (U) Argentina's exchange rate policy is based on a managed float. Market analysts have considered the peso's real exchange rate undervalued in previous years, though it is now under substantial pressure and has depreciated significantly in recent months, currently trading around 3.74 pesos to the dollar. The previous undervaluation, along with historically high global commodity prices, helped lift export

volumes and values to record level, resulting in an estimated \$12.6 billion trade surplus in 2008. Foreign trade was approximately 39% of GDP in 2008 (up from only 11% in 1990) and plays an increasingly important role in Argentina's economic development. Exports totaled approximately 21% of GDP in 2008 (up from 14% in 2002), and key export markets included MERCOSUR (23% of exports), the EU (19%), and NAFTA countries (10%).

¶11. (SBU) Two-way trade in goods with the U.S. in 2008 totaled about \$13.3 billion (according to the U.S. International Trade Commission). Total two-way trade in services in 2007 (the latest data available) was \$4.0 billion, \$5.0 billion, \$3.5 billion in U.S. exports to Argentina, and \$1.5 billion in U.S. imports from Argentina, according to the Bureau of Economic Analysis, U.S. Department of Commerce. The production of grains, cattle, and other agricultural goods continues to be the backbone of Argentina's export economy. High technology goods and services are emerging as significant export sectors. A decline in global commodity prices and slower global (and Argentine) growth levels in 2009 is expected to reduce Argentina's trade surplus levels in the medium term.

¶12. (U) Around 500 U.S. companies are currently operating in Argentina, employing over 155,000 Argentine workers. U.S. investment in Argentina is concentrated in the manufacturing, information, and financial sectors. Other major sources of investment include Spain, Chile, Italy, France, Canada, Japan, and Brazil. Continuing Argentine arrears to international creditors and a large number of international arbitration claims filed by foreign companies are legacies of

the 2001/2002 economic crisis that remain to be resolved and adversely impact Argentina's investment climate. Outstanding debts include over \$28 billion in default claims by international bondholders and approximately \$8 billion owed to official ("Paris Club") creditors. President Cristina Fernandez de Kirchner announced in September 2008 that the government intends to pay Paris Club creditors and seek a settlement with international holders of untendered Argentine government debt. However, neither of these initiatives has moved to fruition as of this writing. The government in late 2008 nationalized Argentina's private pensions system, which affected two U.S. companies that had been running pension funds.

-----  
Promoting U.S. Economic/Commercial Interests  
-----

¶13. (SBU) In support of U.S. companies operating in Argentina, we are encouraging the GoA to maintain a more welcoming investment climate, with greater regulatory, legal, and tax regime consistency. We expend a good deal of effort supporting and working with U.S. companies. We are working closely with the GoA and the Paris Club of sovereign creditors to resolve longstanding arrears to the USG, and are encouraging the GoA to resolve claims of U.S. holders of defaulted Argentine bonds. Regarding currently stalled WTO trade negotiations, Argentina has staked out a position that links acceptance of developed economy agricultural sector proposals with more developing nation flexibility on industrial tariff cuts. We have been urging them to adopt a more flexible approach. We have also encouraged the GOA to uphold its G-20 pledge to refrain from implementing protectionist measures in response to the international financial crisis.

-----  
Anti-Americanism, Bilateral Relations, Strategic Goals  
-----

¶14. (SBU) The greatest overall challenge we face in Argentina is the high level of anti-Americanism in the Argentine public. Argentina consistently registers the highest levels of anti-Americanism in the hemisphere in public opinion polls. Working to change these perceptions is the Embassy's highest priority. We believe we have found a formula for success through substantially increased media outreach, focused attention on youth, and augmented involvement with NGOs and community activities. We seek to use all available resources, from visiting American rock groups and sports heroes to Nobel Prize winners and U.S. companies, to carry the positive agenda forward.

¶15. (SBU) The election of President Obama has given our public diplomacy efforts a big boost. He rates very highly in opinion polls and the President of Argentina has made clear her hope to build a good relationship with him.

Argentina maintains positive political relations with the United States, but there is room for further improvement. One of the major tasks facing the Embassy is forging relationships of trust with a government that has been largely inward-focused and intent on maintaining an image as independent from our country. Argentine officials react very negatively to perceived affronts their sovereignty, often winning public support for their strong reactions.

¶16. (SBU) Argentina, nevertheless, holds Major Non-NATO Ally status and cooperates in regional security, counter-terrorism, drug interdiction, nonproliferation and in contributing troops to U.N. peacekeeping missions. The GoA has been a strong international voice on arms control and nonproliferation issues. In the International Atomic Energy Agency, the GoA has voted to refer Iran's noncompliance to the UN Security Council. The GoA has also endorsed the Proliferation Security Initiative (PSI) and the Global Threat Reduction Initiative (GTRI). Recently, Argentina and the U.S. co-hosted in Buenos Aires a gathering of all OAS States

to look for ways to better implement UN resolution 1540, which is aimed at keeping WMD from terrorists. It is under the banner of science that the USG and Argentina have realized some of the best examples of bilateral cooperation, and we have a long history of aerospace cooperation with Argentina.

-----  
Trafficking in Persons (TIP)  
-----

¶17. (SBU) Argentina is on the USG's Tier-2 Watchlist for lack of progress in providing greater assistance to victims and curbing official complicity in trafficking at the provincial level. However, the legislature last year passed fairly comprehensive anti-TIP legislation that makes TIP-related violations a federal crime. Argentina is a source, transit, and destination country for men, women, and children trafficked for the purposes of commercial sexual exploitation and forced labor. According to the International Organization for Migration, 80% of trafficking victims in Argentina are Argentine, most of whom are trafficked for the purpose of sexual exploitation. Bolivians and Peruvians are trafficked into the country for forced labor in sweatshops and agriculture. Argentine efforts to combat trafficking have focused on prevention and training of security and government officials. One of our key goals this year is to support a vigorous GoA implementation of the new federal law and promote the prosecution of human traffickers. Some NGOs have criticized this new law as weak on the issue of adult "consent," but the Justice Ministry has been vigorous in arresting traffickers and freeing minor and adult victims in recent months.

-----  
Democracy and Rule of Law  
-----

¶18. (SBU) We work with the GoA, media, and civil society to strengthen democratic institutions, fight corruption, and reinforce civilian control of the military. We promote key reform efforts such as increasing governmental transparency, limiting public corruption, and strengthening the political independence of the judicial branch. While we do not succeed on every issue, we continue to cultivate the GoA as a cooperative partner in multilateral fora, and seek Argentina's cooperation in the defense of democracy and the observance of human rights in countries like Cuba, Venezuela, and Bolivia, as well as UN peacekeeping in Haiti.

-----  
Human Rights  
-----

¶19. (SBU) The Argentine government generally respects the human rights and fundamental freedoms of its citizens. The Kirchner government's human rights policy focuses on seeking justice for the human rights violations committed during the 1976-83 military dictatorship, which resulted in the disappearance of between 11,000-30,000 leftist guerrillas and political dissidents. It does not, however, focus on bringing to justice armed guerrilla groups who also committed human rights abuses during the same period (known as "the Dirty War"), albeit on a much smaller scale. To date, the courts have indicted an estimated 508 persons for crimes against humanity, and sentenced 32 former officials of the military regime, including a military chaplain. We recently returned one person sought here for human rights violations and another individual wanted by the GoA remains in Florida.

Argentines are also concerned about an Argentine citizen on death row in Texas. The USG and GOA generally cooperate on human rights issues in international and regional fora. The GOA has not been a strong advocate for reform in Cuba and has publicly pressed for the United States to end its trade embargo and other restrictions.

-----



¶20. (SBU) Argentina is a transshipment and destination point for narcotics emanating largely from Colombia, Peru, Bolivia, and Paraguay. With its large chemical and pharmaceutical industries, Argentina is also a major source and destination for precursor chemicals. Argentine law enforcement agencies cooperate closely with their USG counterparts on drug interdiction efforts, fugitive arrests, and information sharing, which has resulted in increased drug seizures and successes against trafficking organizations. This Mission is focused on institutional capacity-building and expanding training opportunities for law enforcement officials, prosecutors and judges in order to improve internal security and decrease international drug and criminal activity in Argentina. Justice Minister Fernandez has repeatedly stated that he wants to put top priority on attacking drug traffickers and less priority on arresting individual users. One challenge to advancing a more effective policy against international crime is Argentina's judicial system, which remains inefficient despite halting efforts at reform.

-----  
ICE Country Programs  
-----

¶21. (SBU) U.S. Immigration and Customs Enforcement (ICE) is the largest DHS component at the U.S. Embassy in Buenos Aires and serves as the primary contact office for DHS operations in the Southern Cone. ICE transferred its Attache Office to Buenos Aires in November 2006 after being located in Montevideo, Uruguay for over ten years. The ICE Attache Office area of responsibility (AOR) includes the countries of Argentina, Chile, Paraguay, and Uruguay. In addition to its investigative caseload, the ICE Attache Office's seven-member staff (three permanent Special Agent personnel) manages ICE and DHS enforcement programs, including the ICE Trade Transparency Units (TTU) in Argentina and Paraguay, ICE Deportation and Removal Operations (DRO) throughout its AOR, and management oversight of U.S. Customs and Border Protection (CBP), and the Container Security Initiative (CSI) Team in the Port of Buenos Aires. The TTU is an ICE initiative focusing on the trade-based money laundering of proceeds from narcotics trafficking and commercial fraud violations. ICE established TTUs in Argentina's Customs Headquarters in June 2006 and Paraguay's Customs Headquarters in March 2007. The ICE Attache Office facilitates all deportations from the U.S. to the four-countries within its AOR. The number of removals averages approximately 5-15 per week and requires coordination with U.S. Embassy Consular Sections, Regional Security Offices, host government Immigration Agencies, and local INTERPOL offices. In regards to the CSI Program, the ICE Attache Office conducts all investigative and law enforcement liaison activity for the Buenos Aires Team, and maintains budgetary/procurement management for the team as well. CBP established the Buenos Aires CSI operations in November 2005, and it ranks 51st of 58 CSI ports in export tonnage to the United States.

-----  
Terrorism  
-----

¶22. (SBU) Former President Nestor Kirchner's administration strongly supported counter-terrorism policies during his time in office, and his wife and successor CFK has continued the cooperation. Argentina was itself a victim of international terrorist attacks in the 1990s and has been a cooperative partner in countering terrorism, especially in the Tri-border Area (where Argentina, Brazil, and Paraguay meet). In November 2007, Argentina succeeded in getting Interpol's General Assembly vote to issue international capture notices for five current and former Iranian officials and one Lebanese Hizballah member (who was reportedly killed in Syria February 13, 2008) wanted in connection with the 1994 terrorist bombing of the Buenos Aires Jewish Community Center (AMIA).

¶23. (SBU) Argentina cooperates with the United Nations, the OAS, its neighbors, and the United States on a number of

counterterrorism initiatives. We assist the GoA in capacity-building, to strengthen Argentine law enforcement forces. Argentina has a leading role in the OAS Inter-American Committee Against Terrorism (CICTE), established on Argentina's initiative in the 1990s. Argentina has ratified all of the 12 international counD~Q|4:Q7`wQin

1993, and an extradition treaty that entered into force in ¶2000. Within the restraints created by Brooke Amendment sanctions, we also work closely with the Argentine military on peacekeeping operations, modernization, increasing interoperability, and training and education focused on civilian control, respect for human rights, defense resource management, strategic planning, and science and technology.

WAYNE